

Message Text

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R 010610Z MAR 74

FM AMCONSUL SYDNEY

TO SECSTATE WASHDC 5224

INFO AMEMBASSY CANBERRA

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL BRISBANE

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TAGS: BEXP, ETRD, AS

SUBJ: AMCHAM SURVEY OF AUSTRALIAN INVESTMENT CLIMATE

SUMMARY

SYDNEY PRESS REACTED SHARPLY TO AMERICAN CHAMBER OF COMMERCE SURVEY OF AMERICAN COMPANIES ON INVESTMENT CLIMATE. REPORT WILL NOT BE FAVORABLY RECEIVED IN AUSTRALIA AND MAY LEAD TO COMMENTS BY FEDERAL MINISTERS. FULL TEXT OF AMCHAM SURVEY AND NEWSPAPER CLIPPINGS BEING FORWARDED BY POUCH. END SUMMARY.

1. AMERICAN CHAMBER OF COMMERCE IN AUSTRALIA (AMCHAM) YESTERDAY PUBLISHED THE RESULTS OF A SURVEY LOOKING AT AREAS OF CONCERN FOR U.S. INVESTMENT IN AUSTRALIA. THIS A FOLLOW-UP TO AMCHAM'S SUBMISSION TO THE AUSTRALIAN SENATE LAST YEAR AND CONCLUDES "THE CLIMATE FOR BUSINESS AND FOREIGN INVESTMENT IN AUSTRALIA HAS CHANGED MARKEDLY IN THE PAST 18 MONTHS." THE SURVEY WAS CONDUCTED BY PERSONAL INTERVIEWS WITH CHIEF EXECUTIVES OF 52 MEMBER COMPANIES INCLUDING -2 MANUFACTURING, 8 TRADE, 7 SERVICE, 6 CHEMICALS AND

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PHARMACEUTICALS, 3 ENGINEERING AND CONSTRUCTION, 3 MINING,

2 FOOD, AND 1 PETROLEUM. PRESIDENT OF AMCHAM AS WELL AS CHAIRMAN OF COMMITTEE PREPARING REPORT ACKNOWLEDGE THIS MAY NOT BE A REPRESENTATIVE CROSS-SECTION SINCE ONLY 52 COMPANIES PARTICIPATED AND NO AUTO COMPANIES INCLUDED. THE U.S. EQUITY IN THESE COMPANIES INTERVIEWED WAS DISTRIBUTED AS FOLLOWS:

100 PERCENT 43
91 PERCENT 1
60 PERCENT 1
75 PERCENT 2
51-52 PERCENT 2
50 PERCENT 3

2. REPORT EMPHASIZED THE GENERAL UNCERTAINTIES WHICH FACED AMERICAN COMPANIES IN AUSTRALIA AND UNDERScoreD "AUSTRALIA IS A FAR LESS FAVORABLE AREA FOR AMERICAN INVESTMENT THAN PREVIOUSLY". MAIN POINTS SUMMARIZED ON INTRODUCTORY PAGE ARE:

A. MANY PROPOSALS FOR INVESTMENT HAVE BEEN RE-ASSESSED AS A RESULT OF CHANGES IN THE BUSINESS ENVIRONMENT.
B. OVERSEAS BORROWING RESTRICTIONS HAVE CAUSED LITTLE HARDSHIP TO DATE BUT ARE LIKELY TO BECOME A PROBLEM AS COMPANIES LOOK FOR EXPANSION FUNDS.
C. CURRENCY REALIGNMENTS AND THE TARIFF CUT HAVE GREATLY ALTERED COMPETITIVE AND SOURCING PATTERNS.
D. MOST U.S. COMPANIES EXPECT LOCAL EQUITY TO BE A REQUIREMENT IN NEW BUSINESS VENTURES BY FOREIGN COMPANIES. UNCERTAINTY EXISTS AS TO ACTION TO BE TAKEN WITH REGARD TO LOCAL EQUITY IN EXISTING VENTURES.
E. FOREIGN TAKEOVER LEGISLATION HAS NOT GENERATED ANY GREAT CONCERN BUT THE EXPERIENCE OF COMPANIES WHICH ENCOUNTERED THE LEGISLATION SUGGESTS THAT IT COULD CONSTITUTE A SERIOUS OBSTACLE.
F. PUBLIC MISUNDERSTANDING OF MULTINATIONAL CORPORATIONS HAS NOT YET REACHED A SERIOUS LEVEL BUT THREATENS TO BECOME A FUTURE PROBLEM.
G. THE PRICES JUSTIFICATION TRIBUNAL IS SERVING TO RESTRAIN PRICE INCREASES.
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H. ABOLITION OF EXPORT INCENTIVES WILL SERIOUSLY AFFECT ONLY A FEW COMPANIES.
I. INDUSTRIAL UNREST HAS REACHED A CRITICAL LEVEL AND NO IMPROVEMENT IN THE SITUATION IS IN SIGHT.
J. WIDESPREAD UNCERTAINTY EXISTS IN BUSINESS.

3. KEVIN BANNON, EXECUTIVE MANAGER OF AMCHAM ON THE SYDNEY MORNING "TODAY" SHOW, MARCH 1, EMPHASIZED THE

AURA OF UNCERTAINTY WHICH AMERICAN BUSINESS FACED AT
THE PRESENT TIME IN AUSTRALIA, BUT SAID WITH PROPER
GUIDELINES AMERICAN BUSINESSMEN CAN ADAPT TO ANY GOVERNMENT.
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4. PRESS COMMENTS ARE SUMMARIZED AS FOLLOWS: THE
AUSTRALIAN, FEB 28, GAVE A STRAIGHT FORWARD REPORT
UNDER BANNER HEADLINES "U.S. INVESTMENTS SLOW" AND SUB-
HEADING OF "SURVEY SHOWS COMPANIES HOLD BACK NEW FUNDS".
THE FINANCIAL REVIEW OF FEB 28 UNDER PARAGRAPH HEADING
"AMERICAN CHAMBER CRITICAL OF GOVT" CARRIED AS A LEADING
PARAGRAPH, SAID, "THERE HAS BEEN A MARKED DETERIORATION
IN THE CLIMATE FOR AMERICAN INVESTMENT IN AUSTRALIA SINCE
THE ELECTION OF THE LABOR GOVERNMENT---" THE FINANCIAL
REVIEW OF MARCH 1 CARRIED AN EDITORIAL ENTITLED "AMCHAMS
ODOUR OF UNCERTAINTY" WHICH WAS CRITICAL OF THE POINTS
MADE BY AMCHAM. THE LEAD PARAGRAPH SAYS "IN ONE SENSE,
THE AMERICAN CHAMBER OF COMMERCE IS MERELY STATING THE
OBVIOUS WHEN IT SAYS THAT THERE HAS BEEN A MARKED
DETERIORATION IN THE CLIMATE FOR AMERICAN INVESTMENT
SINCE THE ELECTION OF THE LABOR GOVERNMENT" BUT FURTHER
SAYS, "THERE IS A DISTINCT ODOUR OF QUITE NARROW SELF-

INTEREST ABOUT THESE CRITICISMS. THE IMPLICATION IS THAT ONCE AUSTRALIA HAS LURED A COMPANY TO SET UP SHOP WITH THE PROMISE OF FAT PROFITS BEHIND HIGH PROTECTIVE WALLS IT IS FOREVER COMMITTED TO THIS POLICY." THE LIMITED OFFICIAL USE

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EDITORIAL CONCLUDES BY SAYING, "THAT VERY LITTLE FOREIGN BUSINESS IS JUSTIFIED IN TAKING THIS VIEW IS WELL DEMONSTRATED BY THE RECENT LEVEL OF PROFITS AND SALES IN AUSTRALIA. IN A WORLD DESPERATELY WRACKED BY UNCERTAINTY, FEARS FOR THE FUTURE, REMPANT INFLATION AND ENERGY SHORTAGES IT IS PRETTY ONE-EYED FOR ANY BUSINESS COMMUNITY IN A GROWING, CHANGING, AFFLUENT SOCIETY TO BLAME ALL ITS WOES ON THE GOVERNMENT OF THE DAY. IN MOST CASES, IT IS A FAIR BET, FOREIGN INVESTMENT CRITERIA IN AUSTRALIA ARE BEING ESTABLISHED MORE BY GLOBAL CONSIDERATIONS THAN ANY FEARS OF SOCIALIST UPHEAVAL."

THE EVENING EDITION OF THE SYDNEY "SUN" OF FEB 28, PAGE 3, LARGE PARAGRAPH HEADING WAS "U.S. ATTACK OF GOVT" WITH THE LEAD SENTENCE READING "U.S. BUSINESS LEADERS IN AUSTRALIA HAVE SLAMMED THE AUSTRALIAN GOVERNMENT IN A SCATHING ATTACK ON INVESTMENT AND TRADE POLICIES" THEN WENT ON TO GIVE A FAIRLY FACTUAL BUT SHORT VERSION OF THE REPORT.

POST COMMENTS: THE PUBLISHED RESULTS OF THE AMCHAM SURVEY APPEARED TO CARRY MORE EDITORIAL CONCLUSIONS THAN FACTUAL MATERIAL AND SUFFER FROM SUCH PREJUDICIAL REMARKS AS "AUSTRALIA'S RAPID DECLINE AS AN AREA FOR INVESTMENT IS ILLUSTRATED BY THE LIST OF INVESTMENT DECISIONS RELATING TO AUSTRALIA WHICH HAVE BEEN REASSESSED SINCE DEC 1972" AND "SEVERE AND WIDESPREAD UNCERTAINTY IS EVIDENT IN THE BUSINESS COMMUNITY. THIS UNCERTAINTY HAS ARISEN IN THE MAIN, CORRESPONDENTS SAY, FROM THE RISE TO POWER OF THE LABOR GOVERNMENT WHICH HAS NOT PRODUCED CLEAR GUIDELINES FOR BUSINESS." THESE KINDS OF CONCLUSIONS SUGGEST THE ATTITUDE OF THE WRITERS OF THE REPORT BUT ARE NOT FULLY BACKED UP BY THE USUAL STATISTICAL DATA ONE EXPECTS FROM A SURVEY. ONE OBVIOUS QUESTION WHICH APPEARS TO BE MISSING FROM THE SURVEY IS "WHAT WERE YOUR 1973 PROFITS COMPARED TO 1972?" RECORD PROFITS IN THE BUSINESS COMMUNITY WERE OF COURSE REALIZED IN 1973, A POINT NOTED IN FINANCIAL REVIEW EDITORIAL.

IN MY PHONE COVERSATIONS WITH THE PRESIDENT OF AMCHAM, RUSSELL HALE, OF LINCOLN ELECTRIC, AND CHAIRMAN OVERSEAS INVESTMENT COMMITTEE, ALF BYRNE, OF GENERAL ELECTRIC, BOTH SHOWED SOME SURPRISED CONSTERNATION OVER SHARP PRESS REACTION AND ARE BRACING THEMSELVES FOR MORE. HALE POINTS OUT REPORT SAYS LIMITED OFFICIAL USE

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NOTHING NOT ALREADY KNOWN BUT ACKNOWLEDGES MEMBERS OF A FAMILY TAKE CRITICISM FROM OUTSIDERS MUCH LESS GRACEFULLY THAN FROM INSIDERS. HALE ALSO POINTS OUT AMCHAM VIEWS CONTAINED IN SEPARATE EDITORIAL AND SHOULD NOT BE CONFUSED WITH REPORT OF RESULTS OF SURVEY ITSELF - A SUBTLE POINT LIKELY TO BE LOST IN BOTH PRESS AND GOA.

THE IMPLICIT CRITICISM OF THE PRESENT AUSTRALIAN GOVERNMENT BY THE CONCLUSIONS OF THE AMCHAM SURVEY AND PROMINENT SPACE GIVEN THE REPORT IN THE DAILY PRESS MAY ENCOURAGE MEMBERS OF THE FEDERAL GOVERNMENT TO COMMENT ON AMCHAM REPORT.

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